



REPORT TO: SPECIAL MEETING OF MORAY COUNCIL ON 17 DECEMBER 2019

SUBJECT: MORAY LEISURE CENTRE

BY: DEPUTE CHIEF EXECUTIVE (EDUCATION, COMMUNITIES AND ORGANISATIONAL DEVELOPMENT)

1. REASON FOR REPORT

- 1.1 To update Council regarding Moray Leisure Centre's progress and to seek approval for an extension to their leases of the Moray Leisure Centre and Rainbow Castle Nursery.
- 1.2 This report is submitted to Committee in terms of Section III (D) (15) of the Council's Scheme of Administration relating to exercising the Council's statutory powers to support activities related to the development of recreation, sport, culture and heritage.

2. RECOMMENDATION

2.1 It is recommended that the Council:-

- i) **scrutinises and notes the progress of Moray Leisure Centre over the past year;**
- ii) **approves 10 year lease extensions and other variations of the existing leases (as set out in Section 4 of this report) of the Moray Leisure Centre and Rainbow Castle Nursery with Moray Leisure Limited; and**
- iii) **note the arrangements include an improved Service Level Agreement being in place by 30 June 2020.**

3. BACKGROUND

- 3.1 At the meeting of Moray Council on 8 May 2019, Moray Council approved one year lease extensions to Moray Leisure Limited (MLL) until 30 June 2020 with monthly rolling extensions thereafter (para 11 of the Minute refers) at nominal rents in respect of the Moray Leisure Centre and adjacent Rainbow Castle Nursery.

- 3.2 Moray Leisure Centre (MLC) has experienced a dramatic uplift in memberships since launching Fit Life with a 100% increase in usage at the facility. The uptake in membership has coincided with the installation of a new 100-station fitness suite in April 2019 and additional fitness classes being added to the programme.
- 3.3 In 2018/19, 280,696 admissions to MLC were recorded covering the swimming pool, ice rink, health and wellness programme, squash and childcare provision. In the 6-month period (Apr-Sept) for 2019/20, admissions at MLC have already equated to 246,681.
- 3.4 Updates have been provided to Elected Members as part of reports to Children and Young People's Services Committee and monthly accounts have been made available via the Committee Management Site. The MLC Board and Management Team continue to develop a positive and constructive working relationship with the Council's Leisure Service.

4. PROPOSALS

Service Level Agreement

- 4.1 From the above it is evident that MLC continue to improve as an organisation and have a clear plan in place for continued development. However, the service level agreement has not been updated in recent years so this is an area that remains to be addressed. MLL are also keen to address this issue and would welcome a longer-term agreement on the funding arrangements with the Council, which takes account of the service to be provided whilst recognising the Council's challenging financial position and the need for longer-term financial sustainability. Both parties are committed to working towards concluding a Service Level Agreement by 30 June 2020.

Lease

- 4.2 From both a financial and operational perspective, MLL continues to strengthen its stability and implement their Business Plan. However due to the short term lease they are currently operating under they are unable to progress on certain aspects of this plan, for example leasing of equipment that will benefit the facility, securing funding and spreading financial commitments over a longer term and negotiating energy deals. These issues have financial implications that increase the MLL operating costs and impact on the ability to invest in the facility and operate on as cost effective a basis as possible.
- 4.3 The land is "inalienable" common good and a lease for more than 10 years would require public consultation and court approval. That process could take many months and MLL is anxious to secure a lease extension in early course. As a result, provisional agreement has been reached to extend the existing lease for 10 years from 28/7/20 to 27/7/30 at a nominal rent. This would be with a view to continuing discussions with MLL on a new longer lease – any proposals would be reported to the appropriate Committee/Council.
- 4.4 The Council has not yet resolved the future model for delivery of leisure services in Moray or the long-term aims and outcome requirements for the

service. Therefore, break options would be included in the lease extension to retain flexibility for a full range of service provision options to remain open until a decision is reached, including a Service level Agreement with MLL.

- 4.5 In addition, there would be a break option for both parties if a Service Level Agreement cannot be agreed within the identified timeline. If this were to be the case MLL would require to give the Council five months written notice.
- 4.6 It is worth noting that the Council substantially funds MLL and any future decision on funding is likely to have a significant impact on their continued operation and occupation of the facility being leased. Therefore, the benefit of providing the stability of a long-term lease is considered to outweigh the risks it might present.
- 4.7 The above proposals would allow MLL to improve the cost efficiency of its operations whilst a Service Level Agreement is put in place and longer term arrangements for the Moray Leisure Service and Moray Leisure Centre/Rainbow Castle are considered.

5. SUMMARY OF IMPLICATIONS

(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))

In relation to the LOIP, this report supports the healthier children focus within the Moray priority to build a better future for our children and young people in Moray.

In relation to the Corporate Plan, this report contributes to improving health and well-being for the people of Moray.

(b) Policy and Legal

Local Authorities have a legal duty to ensure adequate provision of facilities for recreational, sporting, cultural and social activities. Improving the health and wellbeing of the Moray community through sport, leisure and recreation is not only an integral part of the local vision, but it is also a national priority. In particular, the report aims to fulfil the aspirations of everyone having access to a network of quality places where you can get involved in sport, as identified as a key objective in sportscotland's Corporate Plan "Sport for Life". The report also links to the Scottish Government's Active Scotland Outcomes Framework, which aims to improve our active infrastructure – people and places.

Moray Leisure Centre is situated on Common Good Land therefore Council requires to administer these assets in accordance with the Community Empowerment (Scotland) Act 2015. Recommendation of a lease extension of 10 years does not trigger Section 104 of the Act, however any future longer lease will require the Council to adhere to Section 104 and seek court approval to dispose of inalienable common good land.

(c) Financial implications

MLL are aware of and committed to a more financially sustainable model for the future of their service where there would be a reduced requirement for Council financial support. They are currently considering the requirement for funding for 2020/21 in this context.

A long term lease would facilitate efficiency savings and support the reduction of Council funding for this facility.

It is also proposed to continue the leases at the existing nominal rents.

(d) Risk Implications

The risk of not progressing a long-term lease for MLC will have a negative impact on the commitment of the existing MLL Board Members and certain key developments identified within their Business Plan as suppliers are reluctant to provide leases for equipment if facility has only a short-term lease.

As noted above, it is considered that any risks to the Council from a longer term lease can be mitigated by adding appropriate notice provisions and break clauses to the lease.

Retaining the current 5 yearly rent review clauses in the leases would allow the Council to review rental arrangements on an ongoing basis.

(e) Staffing Implications

None arising directly from this report.

(f) Property

As detailed in this report.

(g) Equalities/Socio Economic Impact

None arising directly from this report.

(h) Consultations

In preparing this report, consultations have been undertaken with the Head of Governance, Strategy and Performance, Head of Financial Services, the Estates Manager and Tracey Sutherland, Committee Services Officer whose comments have been incorporated into the report. There have also been discussions with representatives from MLL.

6. CONCLUSION

- 6.1 That the Council notes the continued positive progress of Moray Leisure Centre over the past year and that Council agrees to 10 year**

**lease extensions with Moray Leisure Limited with immediate effect,
with the caveats of appropriate clauses within the lease and an
improved Service Level Agreement being in place by 30 June 2020.**

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Background Papers:	
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